

1. The document is entitled "2003 Integrated Resource Plan." It was filed on behalf of VEC and the Vermont Electric Division of Citizens Communications Company ("Citizens") in anticipation of the then-pending purchase of Citizens by VEC. That purchase was approved by the Board on March 1, 2004, and finalized on April 1, 2004. Docket Nos. 6850 and 6853, Order of March 1, 2004; Docket Nos. 6850 and 6853, Letter of Victoria J. Brown, Esq., filed April 2, 2004.

comment on the proposed IRP, and provided customers with postal and electronic mail addresses for VEC, the Department and the Board.² No comments were received by the Board.

III. FINDINGS

Based upon the evidence in this Docket, I hereby report the following to the Board, in accordance with 30 V.S.A. § 8.

1. VEC's IRP includes three major components: a summary of load forecast for VEC and Citizens, individually and as a combined entity; a summary of long-range transmission and distribution plans for VEC and Citizens; and, a demand side and supply side portfolio analysis. The IRP also includes an action plan for implementing the conclusions reached in its portfolio analysis. IRP at ES-1.

2. VEC and the Department agree that the Board should approve VEC's IRP as supplemented by the agreements contained in the MOU, because it:

describes a decision-making process that is likely to meet the public's need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs.

MOU at 2.

3. The MOU provides the following:

(A) The Department and VEC agree that approval of the proposed IRP shall constitute approval of the decision-making process described in the IRP only, and not constitute approval of any of the specific decision-making tools, analytic methods, or outcomes described therein. MOU at 2.

(B) As part of a financial plan that reflects full implementation of the IRP, VEC will assess capital and credit risks that could effect VEC's ability to implement results of the decision-making processes described in the IRP. MOU at 2-3.³

2. Letter of Victoria J. Brown dated April 7, 2005; tr. 5/16/05 at 7.

3. In Docket No. 7120, the prefiled testimony of Michael L. Bursell (filed by VEC on 10/14/05) includes an explanation of the capital and credit risks that could effect VEC's ability to implement results of the decision-making processes described in the IRP. Also, Exhibit VEC-MLB-3 (appended to Mr. Bursell's prefiled testimony) sets forth the level of funding required to meet the IRP presented in this docket.

(C) In its next IRP, VEC will be mindful of the upcoming termination of the current HydroQuebec/Vermont Joint Owner ("HQ/VJO") contract, and identify what it believes is the appropriate course of action with respect to replacement of resources now provided by that contract. MOU at 3.

(D) VEC acknowledges that its current resource mix reflects a resource portfolio that is dependent on the relatively short-term markets and market commitments. VEC agrees that it will, over time, work to establish a portfolio that will include more mid and long-term resources, and to update the Department semi-annually on such efforts. VEC also agrees to identify, in its next IRP, obstacles which may prevent it from achieving a resource mix that includes a better balance of short, mid, and long-term resources, and to present a plan for addressing these obstacles. MOU at 3.

(E) VEC acknowledges the potential benefits of Demand-Side Management ("DSM"), load management and distributed generation resources in its future resource portfolio mix, including the potential of these resources to provide an effective hedge against wholesale market price exposure and other power cost variances associated with fuel costs and generation unit output. However, VEC faces challenges regarding capital funding and development risk in connection with implementing DSM, load management and distributed generation investments over the planning horizon. Therefore, the IRP indicates that VEC will continue to:

- a. work with its customers to identify strategic load management and load control opportunities;
- b. offer and negotiate interruptible contracts with existing interruptible customers and, as appropriate, other customers;
- c. coordinate its DSM efforts with Efficiency Vermont's program services;
- d. maintain funding for "stand alone" VEC DSM resources in its combined service area. (Such resources may include the installation of interval meters or other equipment to support real-time load response activities for key industrial and other large customers.)

MOU at 4-5.

(F) In its next IRP, VEC will report on the progress of each project shown in VEC's 2005 to 2009 Five Year Capital Budget that was dated June 22, 2005, and provided to the Department under cover letter dated June 12, 2005. MOU at 6.

4. VEC is required file its next IRP on or before October 1, 2007. Scheduling Order of March 14, 2007.⁴

IV. DISCUSSION

30 V.S.A. § 218c(a)(1) defines a least-cost integrated plan as:

. . . a plan for meeting the public's need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs.

The statute provides that the Board may approve a company's least-cost plan if it complies with the requirements of this definition. These requirements are adequately addressed by the IRP and the MOU, when considered in combination with the EEU. In Docket No. 5980, the Board approved a memorandum of understanding that stated that the creation of the EEU fulfills the future obligations of each distributed utility "to plan for and conduct System-wide Programs under 30 V.S.A. § 218c" ⁵ VEC's IRP specifically considers the EEU a factor in its IRP.⁶ Accordingly, the evidence presented in this Docket supports a conclusion that VEC's 2004 IRP satisfies the requirements of Section 218c(a)(1).

The MOU clarifies what Board approval of VEC's IRP will mean. This interpretation of Board approval is consistent with the Board's previous determination in a separate IRP-related docket.⁷

The MOU requires VEC to provide information and analysis in its next IRP that addresses the Department's concerns about VEC's 2004 IRP. In addition, the MOU clarifies that the approval of the proposed IRP does not relieve VEC of its ongoing duty to:

4. The MOU provides that VEC's next IRP should be filed on or before July 9, 2007. However, VEC and the Department requested that this deadline be extended to October 1, 2007, and that request was granted. Scheduling Order of March 14, 2007.

5. Docket No. 5980, Order of 9/30/99, at Appendix A ¶ 16.

6. IRP at 2-1.

7. Docket No. 6854, Order of 3/9/04.

(a) monitor key uncertainties and the continued accuracy of assumptions and data in the IRP; (b) continue to reevaluate the merits of the decision-making processes, including but not limited to the analytic methods used, and to adapt such processes to new techniques or information; and (c) continue to reevaluate the merits of its decisions.⁸

V. CONCLUSION

For the foregoing reasons, I recommend that the Board approve the MOU between VEC and the Department, and that the Board approve VEC's IRP that was filed on January 15, 2004. I further recommend that the Board require VEC to file its next IRP on or before October 1, 2007.

Consistent with the provisions of 3 V.S.A. § 811, this Proposal for Decision has not been served on all parties to this proceeding because it is not adverse to any party.⁹

Dated at Montpelier, Vermont, this 4th day of April, 2007.

s/Judith M. Kasper

Judith M. Kasper, Esq.
Hearing Officer

8. MOU at 2.

9. VEC and the Department have waived the opportunity to file exceptions and present briefs and oral arguments with respect to a proposal for decision that is consistent with the MOU. MOU at 6.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Hearing Officer's findings, conclusions, and recommendations are adopted.
2. Vermont Electric Cooperative, Inc.'s ("VEC") Integrated Resource Plan ("IRP"), filed on January 15, 2004, is approved.
3. The Memorandum of Understanding ("MOU") between VEC and the Vermont Department of Public Service ("Department"), filed on July 21, 2005, is approved.
4. VEC shall file its next IRP on October 1, 2007.
5. In its next IRP, VEC will be mindful of the upcoming termination of the current HydroQuebec/Vermont Joint Owner ("HQ/VJO") contract, and identify what it believes is the appropriate course of action with respect to replacement of resources now provided by that contract.
6. VEC shall work to establish a portfolio that will include more mid and long-term resources, and to update the Department semi-annually on such efforts. In its next IRP, VEC shall identify obstacles which may prevent it from achieving a resource mix that includes a better balance of short, mid, and long-term resources, and shall present a plan for addressing these obstacles.
7. In its next IRP, VEC will report on the progress of each project shown in VEC's 2005 to 2009 Five-Year Capital Budget that was dated June 22, 2005, and provided to the Department under cover letter dated June 12, 2005.

Dated at Montpelier, Vermont, this 5th day of April, 2007.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: April 5, 2007

ATTEST: s/Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.